



State of Utah

Department of
Environmental Quality

Dianne R. Nielson, Ph.D.
Executive Director

DIVISION OF DRINKING WATER
Kevin W. Brown, P.E.
Director

Drinking Water Board
Dale Pierson, *Chair*
Anne Erickson, *Vice-Chair*
Myron Bateman
Jay Franson
Laurie McNeill
Nancy Melich
Dianne R. Nielson, Ph.D.
Charlie Roberts
Petra Rust
Ron Thompson
Chris Webb
Kevin W. Brown, P.E.
Executive Secretary

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

MINUTES OF THE AUGUST 13, 2004 DRINKING WATER BOARD
MEETING HELD IN PARK CITY, UTAH

Board Members Present

Dale Pierson
Anne Erickson
Myron Bateman
Jay Franson
Laurie McNeill
Dianne Nielson
Charlie Roberts
Petra Rust
Ron Thompson
Chris Webb

Board Members Excused

Nancy Melich

Staff

Kevin Brown
Ken Wilde
Rich Peterson
Linda Matulich

Guests

John Chartier, Sunrise Engineers
Doug Nielsen, Sunrise Engineers
Reed Wilde, Croydon Pipeline
Steve Pentz, Croydon Pipeline
Logan Wilde, Croydon Pipeline
Clyde Watkins, Rural Water Assoc.
George Lukes, self
Randal Cagle, Beaver Dam
Phylip Leslie, Leslie & Associates
Alan Davis, Beaver Dam
Denny Sturman, Town of Goshen
Gay Copsey, Beaver Dam
Kristine Parker, Zions Bank
Scott Hacking, DEQ
Ed Hansen, Magna Water
Paul Fulgham, Tremonton City
Russ Donoghue, Rural Water Assoc.

ITEM 1 – CALL TO ORDER

The Drinking Water Board convened in Park City, Utah with Chairman Pierson presiding. The meeting was called to order at 1:30 p.m.

ITEM 2 – ROLL CALL

Chairman Pierson asked Kevin Brown to call roll of the Board members. The roll call showed there were 8 present at the time.

Jay Franson and Dianne Nielson joined the meeting.

ITEM 3 – INTRODUCTIONS

Chairman Pierson thanked Park City and Rich Hilbert for the tour of their facilities and for the lunch at Loco Lizard.

Chairman Pierson welcomed the guests and asked them to introduce themselves.

ITEM 4 – APPROVAL OF MINUTES – JUNE 11, 2004 AND JUNE 25, 2004

Chairman Pierson stated a motion to approve the June 11, 2004 and June 25, 2004 minutes would be in order.

Ronald Thompson moved the Board approve the June 11, 2004 and June 25, 2004 minutes.

Charlie Roberts seconded.

**CARRIED
(Unanimous)**

ITEM 5 – SRF/CONSERVATION COMMITTEE REPORT

1) Status Report

Ken Wilde reported the Board has available a little more than \$2,000,000 in the state SRF account. Staff will be receiving a little over \$300,000 a month until they receive the \$3.6 million ceiling limit.

Ken mentioned the Board has available, including the 2004 grant money from EPA, \$8.8 million in the federal SRF account, of which \$4,000,000 comes from second round money in the repayment stream. Staff will be applying for the money soon and hopes to receive the \$8.8 million, which is the 2005 money, during the springtime when the money is available.

Ken mentioned staff plans to close the Logan City loan on September 2, 2004.

Discussion followed.

Ken mentioned that if the Board chooses, the state and federal money could be used towards interest buy-down projects, to help the communities go out to the open market for additional money. Staff will take a look at this and make a report at the next Board meeting.

2) State SRF Applications

a) Town of Goshen

Rich Peterson reported the Town of Goshen received some planning money a few months ago. The Town of Goshen has a project, which includes a storage tank and improvements to their spring source and distribution system. The cost of the project is \$712,000. The Town of Goshen will be contributing \$40,000 toward the project. The Town of Goshen doesn't qualify for a grant. The SRF/Conservation Committee's recommendation is to authorize a loan of \$672,000 at 2.30% over 20 years with the condition that they resolve the appropriate issues on their compliance report.

Denny Sturman, Town of Goshen's representative, addressed the Board.

Myron Bateman moved the Board authorize the SRF/Conservation Committee's recommendation of a \$672,000 loan at 2.30% to be repaid over 20 years on the condition that they resolve the appropriate issues on their compliance report.

Ronald Thompson seconded.

**CARRIED
(Unanimous)**

b) Beaver Dam Village Special Service District

Rich Peterson reported Beaver Dam Village SSD recently received a bid much higher than they anticipated. Beaver Dam Village SSD is requesting the Board change their loan from \$349,000 to \$550,000 with the same terms of 3.46% over 15 years.

Alan Davis, Gay Copsey and Randal Cagle, representing Beaver Dam Village SSD, addressed the Board.

Discussion followed.

Ronald Thompson moved the Board authorize the SRF/Conservation Committee's recommendation of increasing the loan by \$201,000, for a total of \$550,000 with the same terms (3.46% to be repaid over 15 years) on the condition they resolve the appropriate issues on their compliance report.

Dale Pierson seconded.

**CARRIED
(Unanimous)**

3) Federal SRF Applications

a) Croydon Pipeline Company

Rich Peterson reported the Croydon Pipeline Company was given a planning loan of \$20,000 a few months ago. Part of the motion was to include the loan to roll over into any future funding. Croydon does have a project now to build a new well to help offset decreasing flows in their spring source. If the Board approves the \$20,000 today, it will bring the total of the loan to \$344,000. Croydon does qualify as a disadvantaged community. The SRF/Conservation Committee's recommendation is to authorize a 80/20 split between a loan and principal forgiveness. Some new evaluation sheets and supplemental information was handed out for the Board to review based on additional information received from the applicant. The new interest rate for the 80/20 split is 2.25%. Both scenarios' are above the 1.75% of the local MAGI.

Reed Wilde, Steve Pentz, Logan Wilde, and John Chartier, representatives for the Croydon Pipeline Company, addressed the Board.

Discussion followed.

Ronald Thompson moved the Board authorize a loan of \$274,000, and adjust the interest rate to whatever is necessary to get it down to 0% for 20 years.

Charlie Roberts seconded.

Discussion on motion.

Rich Peterson mentioned the motion should include the full amount of \$327,000 instead of just the loan portion of \$274,000. Croydon is contributing \$17,200 toward the project.

Myron Bateman moved the Board authorize a substitute motion of a loan for \$327,000, with a principal forgiveness of \$70,000 at 2.25% for 20 years.

Chris Webb seconded.

Discussion on substitute motion.

Substitute motion failed.

Anne repeated Ron's original motion: **Ronald Thompson moved the Board authorize a 100% (\$327,000) loan at 0% for 20 years.**

Charlie Roberts seconded.

CARRIED

Three voted against.

b) Magna Water Company

Ken Wilde reported the Magna Water Company has a proposed project to remove arsenic and perchlorate from their drinking water wells. The perchlorate has only started to migrate into their well field, but it is not in all of the wells yet. It appears that the perchlorate will continue to increase in concentration over the next few years. Magna Water Company is requesting a \$7,000,000 loan from the Drinking Water Board at 2.77% over 20 years. Magna Water Company's project will cost \$18,000,000. Magna Water Company will be contributing \$1.1 million of their own money toward the project.

The SRF/Conservation Committee's recommendation to the Board is a loan of \$4,000,000 and decrease the interest rate by ½% to help offset or serve as an interest buy-down towards the full \$7,000,000. The Magna Water Company is still requesting the full \$7,000,000. A substitute page was given to the Board with a basic change. Staff can apply for the federal SRF 2005 grant money earlier than they usually do to try to get the money in the springtime instead of receiving the money in the late summer period. By applying for the money earlier, it would help in not depleting the SRF 2004 funds.

Ronald Thompson commented on doing more with the interest buy-down program.

Ed Hansen and Don Olson, Magna Water Company's representatives, addressed the Board.

Anne Erickson mentioned the Board has talked about the SRF 2005 money. There are a couple of options the Board could do: 1) the Board could go ahead with the recommendation of the SRF/Conservation Committee, and investigate further the interest buy-down program or other options for additional money, or 2) the Board could put Magna's request off, investigate other possibilities and make a substitute motion.

Discussion followed.

Dianne Nielson moved the Board accept the SRF/Conservation Committee's recommendation of a loan of \$4,000,000 at 2.27% to be repaid over 20 years. The Board would consider, before closing Magna's funding package, if it appears to be more in Magna's interest and the Board's ability to look at a loan package that would include a 0% interest buy-down, the Board would consider other terms for the loan.

Petra Rust seconded.

Ronald Thompson requested adding to the motion that: Staff investigate whether the Board can adopt a Rule of 0 tolerance for perchlorate, and send to industries so they know the Board is concerned about perchlorate, and use some additional leverage to try to make sure the industries come to the Board.

Dianne Nielson accepted Ron's concern to add his request to her motion.

Discussion on motion.

Ronald Thompson withdrew his addition to the motion to be added to Dianne's motion. Ron asked that staff look at this issue and address it so the Board isn't behind on this issue.

Staff will make a report at the next Board meeting on the perchlorate issue.

Dianne Nielson moved the Board accept the SRF/Conservation Committee's recommendation of a loan of \$4,000,000 at 2.27% to be repaid over 20 years, plus a provision for Magna to come back to the Board prior to loan closing for consideration to find an option for additional financial assistance, if needed, including an interest buy-down.

Petra Rust reseconded.

**CARRIED
(Unanimous)**

c) Project Priority List

Ken Wilde mentioned staff is adding three projects to the Project Priority List: St. George City (\$10,000,000), Park West Water Company (almost \$500,000) and Fountain Green City (\$1.7 million).

Laurie McNeill moved the Board authorize the SRF/Conservation Committee's recommendation to approve the updated Project Priority List.

Chris Webb seconded.

**CARRIED
(Unanimous)**

Dianne Nielson asked staff to look at the structure of the funding packages.

ITEM 6 – CHAIRMAN'S REPORT

Chairman Pierson has nothing new to report.

ITEM 7 –DIRECTORS REPORT

a) SRF 101 Report

Kevin Brown went over the SRF chart in the packet.

b) Private/Public Water Systems/Subdivision Workgroup Report

Kevin Brown reported the Board and staff has been talking about private versus public water systems and whether or not to move forward. Kevin talked to Fred Nelson, our attorney general counsel. Mr. Nelson said if the Board wants to go in this direction, the Board could take care of it during rulemaking, and clean up the statutory language. Mr. Nelson said there is sufficient history and legal precedence for staff to move ahead on the rulemaking without statutory changes.

The next issue is with the capacity development program. Staff can take a look at the technical, managerial and financial capabilities all of the water systems applying for loans to make sure they can run the water system. Staff can look at the water systems that are rate “not approved” and help them fix their problems so they can become “approved”. The Board can direct staff on how to work on this program.

The State of Washington has taken the federal standards, and has made them more stringent than the federal standards. Instead of regulating down to 15 connections, they are regulating down to 2 connections.

There is a workgroup, listed in the document in the packet, with all of the entities that are involved in taking a look at how to get the approval process on water and wastewater issues done at the local level before a water system or a wastewater system can be considered.

Scott Hacking, District Engineer, addressed the Board.

Discussion followed.

Ronald Thompson moved the Board instruct staff to evaluate the Capacity Development Rules, and require new systems coming forward for approval to be run by a body politic and to make a final decision on the rule for the Board to adopt.

Charlie Roberts seconded.

Motion Failed

Jay Franson moved the Board instruct staff to evaluate the Capacity Development Rules, and require new systems coming forward for approval, that covers all aspects of the approval and operations, and to make a final decision on the rule for the Board to adopt.

Ronald Thompson seconded.

**CARRIED
(Unanimous)**

c) Engineering Section Manager Recruitment Update

Kevin Brown updated the Board on the recruitment for the Engineering Section Manager.

ITEM 8 –NEWS ARTICLES

The news articles are in the packet.

ITEM 9 –LETTERS

The letters are in the packet.

ITEM 10 – UPDATE

The update is in the packet.

ITEM 11 – NEXT BOARD MEETING

The next Drinking Water Board meeting is scheduled for October 8, 2004 at the Jordan Valley Water Conservancy District's office, and a tour at their plant.

ITEM 12 – OTHER

No other business.

ITEM 13 – ADJOURN

Chairman Pierson stated a motion to adjourn the meeting was in order.

Myron Bateman moved to adjourn the Board meeting at 3:40 p.m.

Laurie McNeill seconded.

**CARRIED
(Unanimous)**

Linda Matulich
Recording Secretary